

AR14

HORNE & PITFIELD
FOODS LIMITED

ANNUAL REPORT
1971



HORNE & PITFIELD FOODS LIMITED

Information Circular

The information contained in this circular is furnished in connection with the solicitation of proxies by the management of HORNE & PITFIELD FOODS LIMITED (hereafter sometimes called "the Company") for use at the Annual General Meeting of Shareholders of the Company to be held at the Head Office of the Company, 14550 - 112 Avenue, Edmonton 42, Alberta on Monday, the 23rd day of August, 1971 at 11:00 o'clock in the forenoon (Mountain Standard Time) for the purposes set forth in the accompanying notice of meeting. It is expected that solicitations will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost. The cost of solicitation will be borne by the Company.

VOTING SHARES

Only the holders of Common Shares of the Company are entitled to vote at the annual general meeting. Each holder of a Common Share of the Company of record on August 9th, 1971, is entitled to one vote for each share held. The Company had outstanding 1,832,554 Common Shares as at July 14th, 1971.

ELECTION OF DIRECTORS

The following are the names of the persons who are proposed nominees for election as directors. It is intended that the shares represented by the proxy hereby solicited will be voted in favour of their election as directors:

Edward Eversley Bishop, Q.C., Secretary

Bryan Alexander Ellis

Robert Lloyd Hunter

Bertram Isaac Loeb, Chairman of the Board

David Bertram Loeb

Kenneth Wellington Quinn, C.A., President and General Manager.

The term of office of each such person is until the next annual meeting or until his successor is elected or appointed. In the event that prior to the annual general meeting any vacancies occur in the slate of nominees submitted herewith it is intended that discretionary authority shall be granted to vote the proxy for the election of any other person or persons as directors. The management is not aware that any of such nominees would be unwilling to serve as a director if elected.

INFORMATION CONCERNING NOMINEES AS DIRECTORS

<i>Name and Principal Occupation</i>	<i>Year First Appointed a Director</i>	<i>Common Shares Beneficially Owned Directly or Indirectly as of July 14, 1971</i>
Edward Eversley Bishop, Q.C. Senior Partner Bishop & McKenzie Barristers & Solicitors	1962	100
Bryan Alexander Ellis President Associated Engineering Services Ltd.	1969	100
Robert Lloyd Hunter Vice-President Pitfield, Mackay, Ross & Co., Ltd.	1959	2,100
David Bertram Loeb Consultant, Real Estate Development, M. Loeb Limited President, Ottawa Football Club Limited	1961	9,400
Bertram Isaac Loeb Chairman of the Board and President M. Loeb Limited	1959	15,400
Kenneth Wellington Quinn, C.A. President Horne & Pitfield Foods Limited	1959	14,148

NOTE—All nominees have continuously served as directors of the Company from the years indicated.

REMUNERATION AND INTEREST OF MANAGEMENT AND OTHERS

During the fiscal year ended April 3rd, 1971, the aggregate direct remuneration paid or payable by the Company and its subsidiaries to all directors and senior officers as a group was \$127,388.55.

During the fiscal year ended April 3rd, 1971, the estimated aggregate cost to the Company and its subsidiaries of all pension benefits proposed to be paid under the Company's retirement pension plan to all directors and senior officers as a group was \$17,538.33.

On September 29th, 1970, options were granted to directors and senior officers to purchase 27,000 common shares at \$2.00 per share over a period of five years expiring September 1st, 1976. The price range in the 30 day period preceding the grant was \$2.05 to \$2.30.

No options on common shares were exercised by directors and senior officers subsequent to April 4th, 1970.

APPOINTMENT OF AUDITORS

It is intended to vote the proxy to re-appoint Messrs. Price Waterhouse & Co., Chartered Accountants, the present auditors, as auditors of the Company to hold office until the next annual meeting of shareholders. Messrs. Price Waterhouse & Co. were first appointed auditors of the Company on May 26, 1959.

VOTING OF PROXIES

A shareholder has the right to appoint a person (who need not be a shareholder) to attend and act for him and on his behalf at the meeting other than the persons designated in the enclosed form of proxy. To exercise this right the shareholder may insert the name of the desired person in the blank space provided in the form of proxy and strike out the other names or may submit another appropriate proxy.

Unless otherwise specified, the proxy will be voted in favour of the election of the directors nominated, the re-appointment of Messrs. Price Waterhouse & Co., as auditors, the approval of the consolidated financial statements of the Company and its subsidiaries for the fiscal year ended April 3rd, 1971 and the reports of the Board and the auditors thereon.

The form of proxy confers discretionary authority with respect to amendments or variations to matters identified in the notice of meeting and other matters which may properly come before the meeting.

A shareholder executing the enclosed form of proxy has the power to revoke the proxy at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof. Section 139 (4) of the Companies Act, Alberta, sets out a procedure for revoking the proxy by depositing an instrument in writing at the Head Office of the Company.

GENERAL

The management knows of no matters to come before the Annual Meeting of Shareholders other than matters referred to in the notice of meeting. However, if any other matters which are not now known to the management should properly come before the meeting the accompanying proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.

Dated July 16th, 1971.



NOTICE OF ANNUAL GENERAL MEETING

TAKE NOTICE that the Annual General Meeting of HORNE & PITFIELD FOODS LIMITED will be held at the Head Office of the Company, 14550 112 Avenue in the City of Edmonton, Province of Alberta, at 11 o'clock in the forenoon (Mountain Standard Time) on Monday, the 23rd day of August, A.D. 1971, to

- (a) receive the consolidated financial statements of the Company and its subsidiaries for the fiscal year ended April 3, 1971 together with the reports of the directors and auditors thereon, copies of which accompany this notice;
- (b) elect directors;
- (c) appoint auditors and authorize the directors to fix their remuneration;
- (d) transact such other business as may properly come before the meeting or any adjournment thereof.

Dated at Edmonton, Alberta, this 14th day of July, A.D. 1971.

BY ORDER OF THE BOARD,
Edward Eversley Bishop, Q.C., Secretary.

If you are unable to attend this meeting in person, please return your proxy, thus enabling your shares to be voted at the aforementioned meeting. For your convenience, a form of proxy is attached to this notice which you are requested to date, sign, detach and return.

HORNE & PITFIELD

FOODS LIMITED

HIGHLIGHTS

	1971	% Change	1970
Sales	\$75,085,642	+6.4	\$70,588,634
Income before taxes	1,010,309	-4.4	1,056,904
Income taxes	520,000	-7.1	560,000
Net income	490,309	-1.3	496,904
Dividends	183,255		183,230
Shareholders' equity	5,435,435	+6.0	5,128,381

PER SHARE

Income before taxes	55.1c	57.7c
Income taxes	28.3c	30.6c
Net income	26.8c	27.1c
Dividends	10c	10c
Shareholders' equity	\$2.97	\$2.80

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to submit the Annual Report of the Company for the fiscal year ended April 3, 1971. The consolidated operating results reported are for the 52 weeks ended April 3, 1971 as compared with the 52 weeks ended April 4, 1970.

SALES:

Improved sales were recorded by both wholesale and retail divisions of the Company resulting in consolidated sales of \$75,085,642, an increase of \$4,497,008 or 6.4% over the previous year. These record sales were achieved despite unsettled economic conditions and intense competition which prevailed throughout our territory during the year.

EARNINGS AND DIVIDENDS:

Net income for the year was \$490,309 as compared with \$496,904 the previous year. After allowing for extreme competitive conditions and the costs of opening new corporate stores, your Directors consider the results to be satisfactory. Earnings per share were 26.8c this year as compared with 27.1c the previous year on 1,832,554 shares outstanding both years.

Semi-annual dividends of 5c each were paid to shareholders of record September 21, 1970 and March 22, 1971. Total amount paid was \$183,255 representing 37% of net income for the year.

FINANCIAL POSITION:

Cash flow from operations increased 6.5% to \$796,447 and major fixed asset additions were financed by long-term loans. Working capital increased \$272,574 during the year to \$3,087,734 as at April 3, 1971.

OPERATIONS AND DEVELOPMENT:

During the fiscal years 1964 to 1970 increased sales were achieved almost solely through business transacted with independent retailers operating under our various franchise programs and the Company avoided whenever possible corporately-owned and operated retail stores.

In planning for the continued growth of the Company in the 1970's and considering the industry trend and the apparent consumer preference for larger super-markets in regional and district shopping centres, offering a greater selection of products, we concluded that such locations would be desirable. We found it most difficult, however, to locate qualified independent retailers for these units due to the substantially higher investment required and rather than pass up such opportunities, a new division was formed to operate corporate stores.

The operation of this new retail division affords us the opportunity to explore and test new techniques of operation, expand our overall knowledge of retailing and improve the image and prestige of IGA for the benefit of the Company and all affiliated independent retailers.

The continued growth and development of our affiliated independent retailers has been and still remains the most important part of our day-to-day operations. During the year under review new independently owned and operated IGA stores were opened at Red Deer (Eastview District) and Bow Island and construction commenced on an 11,000 square foot foodliner at Rocky Mountain House to replace an existing smaller unit. Affiliated Much More stores increased by three to 351 and Triple S stores by one to 19.

On January 3, 1971 a fire destroyed our Lethbridge warehouse and as a result customers of the area are now serviced by our Calgary and Medicine Hat branches. The number of Cash & Carry warehouses operated by the Company was increased to six (four in Edmonton and two in Calgary) with the opening of new premises in northeast Edmonton.

FUTURE OUTLOOK:

There are signs the general economy is improving and indications that consumer spending will increase during the coming fiscal year both of which should contribute to improved operations of the Company. Sales for the early weeks of the 1971-72 fiscal year indicate accelerated growth and it is anticipated that net income over the whole of the year will show improvement.

RECOGNITION:

We express again our sincere thanks to all employees who, through their dedicated efforts, made possible our accomplishments during the year and to John Semmens, former Vice-President, Retail Operations, who retired during the year, a special tribute for his contribution to the welfare of the Company during his years of service. We sincerely appreciate as well the continued support received from our many suppliers and particularly our registered shareholders, 98% of whom are Canadians.

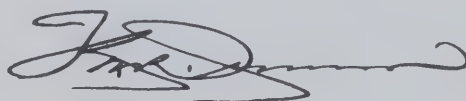
ANNUAL MEETING:

We cordially invite all shareholders to attend the Annual General Meeting to be held at the Head Office of the Company, Edmonton, Alberta, on Monday, August 23, 1971 at 11:00 o'clock in the forenoon.

On behalf of the Board of Directors.



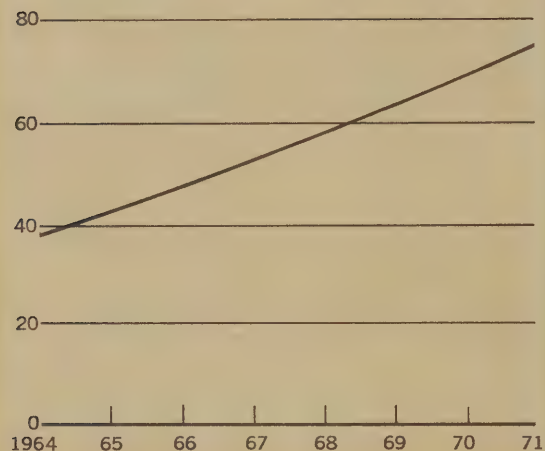
BERTRAM LOEB ·
Chairman of the Board.



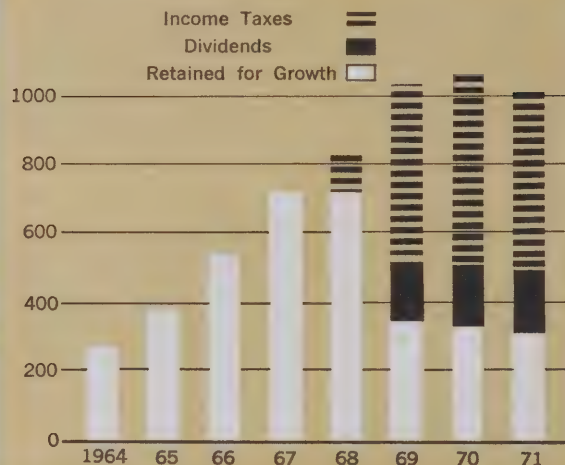
KENNETH W. QUINN
President and General Manager.

GROWTH AT A GLANCE

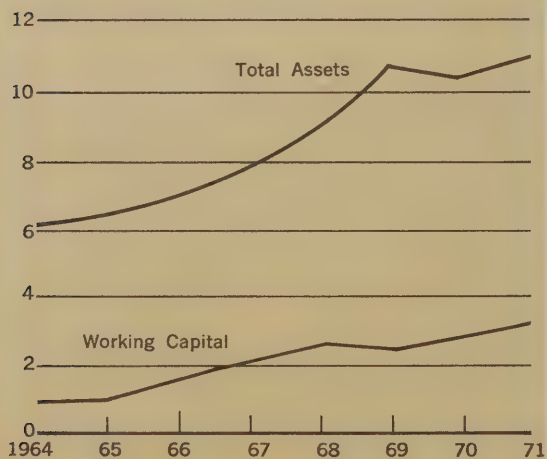
SALES
(Millions of Dollars)



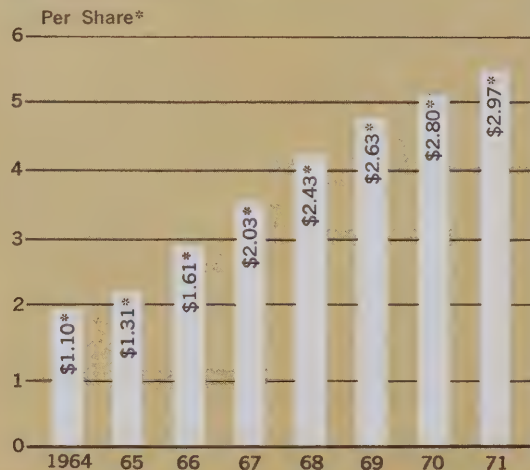
DISTRIBUTION OF EARNINGS
(Thousands of Dollars)



ASSETS
(Millions of Dollars)



SHAREHOLDERS' EQUITY
(Millions of Dollars)



CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE FISCAL YEAR ENDED APRIL 3, 1971
(with comparative figures for the preceding fiscal year)

	1971	1970
Sales	\$75,085,642	\$70,588,634
Income before the undernoted	1,558,099	1,541,410
Interest on long-term liabilities	68,699	40,773
Other interest	172,953	192,595
Depreciation	306,138	251,138
	547,790	484,506
Income before taxes	1,010,309	1,056,904
Income taxes	520,000	560,000
Net income for the year	490,309	496,904
Retained earnings at beginning of year	892,608	578,934
	1,382,917	1,075,838
Dividends - 10c per share	183,255	183,230
Retained earnings at end of year	\$ 1,199,662	\$ 892,608
Earnings per share (note 5)	26.8c	27.1c

CONSOLIDATED BALANCE SHEET

(WITH COMPARATIVE FIGURES)

ASSETS

CURRENT ASSETS:

	1971	1970
Cash	\$ 162,178	\$ 11,430
Accounts receivable, including for 1971 insurance claims of \$346,290	2,366,014	2,333,825
Current instalments on deferred accounts receivable	255,341	317,488
Inventories of merchandise (Note 2)	4,746,314	4,698,383
Prepaid expenses	180,936	125,927
Land and buildings held for sale and leaseback, at cost	214,425	208,378
	<u>7,925,208</u>	<u>7,695,431</u>

OTHER ASSETS:

Deferred accounts receivable, less \$255,341 included in current assets	593,664	632,236
Cash surrender value of life insurance	16,000	10,250
	<u>609,664</u>	<u>642,486</u>

FIXED ASSETS, at cost:

Land and buildings (Note 3)	1,468,161	1,559,754
Equipment	2,576,178	1,712,535
	<u>4,044,339</u>	<u>3,272,289</u>
Less—Accumulated depreciation	1,436,498	1,158,266
	<u>2,607,841</u>	<u>2,114,023</u>
	<u>\$11,142,713</u>	<u>\$10,451,940</u>

CE SHEET APRIL 3, 1971

ES AS AT APRIL 4, 1970)

LIABILITIES

CURRENT LIABILITIES:

	1971	1970
Bank indebtedness (Note 4)	\$ 2,644,138	\$ 2,866,074
Accounts payable and accrued liabilities	1,886,084	1,863,399
Dividend payable	91,628	91,628
Income taxes payable	46,456	10,905
Current instalments on long-term liabilities	169,168	48,265
	<u>4,837,474</u>	<u>4,880,271</u>

LONG-TERM BANK LOANS AND

MORTGAGES, less \$169,168
included in current liabilities

869,804	443,288
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SHAREHOLDERS' EQUITY:

Share capital (Note 5)—		
Authorized—2,100,000 shares of a par value of 20 cents each		
Issued—1,832,554 shares	366,511	366,511
Premium on share capital	3,869,262	3,869,262
Retained earnings	1,199,662	892,608
	<u>5,435,435</u>	<u>5,128,381</u>

COMMITMENTS AND CONTINGENCIES (Note 6)

On Behalf of the Board:
BERTRAM LOEB, Director
KENNETH W. QUINN, C.A., Director

\$11,142,713	\$10,451,940
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CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE FISCAL YEAR ENDED APRIL 3, 1971
(with comparative figures for the preceding fiscal year)

	1971	1970
Source of funds:		
Operations—		
Net income	\$ 490,309	\$ 496,904
Depreciation	306,138	251,138
Total from operations	796,447	748,042
Increase in long-term liabilities	426,516	—
Decrease in deferred accounts receivable	38,572	—
Share capital issued	—	5,544
	1,261,535	753,586
Application of funds:		
Purchase of fixed assets (net)	799,956	194,968
Dividends	183,255	183,230
Increase in deferred accounts receivable	—	49,005
Decrease in long-term liabilities	—	38,336
Cash surrender value of life insurance	5,750	10,250
	988,961	475,789
Increase in working capital	272,574	277,797
Working capital at beginning of year	2,815,160	2,537,363
Working capital at end of year	\$ 3,087,734	\$ 2,815,160

NOTES TO FINANCIAL STATEMENTS

1. CONSOLIDATION:

All subsidiaries of Horne & Pitfield Foods Limited are wholly-owned and the consolidated financial statements include the accounts of all subsidiaries.

The Company is the registered owner of more than 50% of the voting shares of some retailing companies in which there are minority interests. These shares are held solely for the purpose of protecting the Company's position on advances to such companies. Accordingly, these companies are not considered to be subsidiaries and their financial results have not been included in the consolidated accounts.

2. INVENTORIES OF MERCHANDISE:

Wholesale inventories are valued at the lowest of cost, replacement cost and net realizable value. Retail inventories are valued at the lower of cost and net realizable value.

3. LAND AND BUILDINGS:

The cost of warehouse buildings constructed on leased properties, included in land and buildings, is \$757,674.

4. BANK INDEBTEDNESS:

The bank loan of the parent Company is secured by a general assignment of book debts.

5. SHARE CAPITAL:

Of the authorized but unissued common shares of the Company, 200,000 have been set aside to grant options to officers and senior employees. Options granted become exercisable at the rate of 20% per year on a cumulative basis commencing one year after the date of grant. Options to purchase 39,400 shares have been exercised to date but none were exercised during the year ended April 3, 1971.

Options outstanding at April 3, 1971 were as follows:

<i>Date of Grant</i>	<i>Option Price Per Share</i>	<i>Expiry Date</i>	<i>Outstanding April 3, 1971</i>
October 17, 1968	\$3.03	October 1, 1974	10,500
December 12, 1969	2.55	December 1, 1975	5,000
September 29, 1970	2.00	September 1, 1976	45,500

Under a stock purchase plan 22,000 of the authorized but unissued shares were set aside for other employees. Subscriptions for the purchase of 1,450 shares at \$3.00 per share which were outstanding at April 3, 1971 have been cancelled subsequently at the request of the subscribers.

There would be no significant dilution of earnings per share if all options outstanding had been exercised.

6. COMMITMENTS AND CONTINGENCIES:

The companies have obligations under long-term leases for rentals of warehouses and retail stores aggregating \$1,143,497 per annum of which \$584,711 is recoverable from sub-leases to others.

The companies are co-signers on equipment purchase and other agreements in the amount of \$267,032.

7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS:

The aggregate direct remuneration of directors and senior officers for the year ended April 3, 1971 was \$127,389.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF HORNE & PITFIELD FOODS LIMITED:

We have examined the consolidated balance sheet of Horne & Pitfield Foods Limited and its wholly-owned subsidiaries as at April 3, 1971 and the consolidated statements of income and retained earnings and source and application of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at April 3, 1971 and the results of their operations and the source and application of their funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

EDMONTON, ALBERTA

JULY 2, 1971

PRICE WATERHOUSE & CO.

Chartered Accountants

STATISTICAL REVIEW

OPERATING RESULTS:

	1964	1965
Sales	\$ 38,598,407	42,064,611
Depreciation	\$ 82,609	92,241
Income before taxes	\$ 290,265	391,900
Percent of sales	% .75	.9
Cents per share	c 16.2	21.1
Income taxes	\$ *	—
Net income	\$ 290,265	391,900
Cents per share	c 16.2	21.1
Cash flow	\$ 372,874	492,571
Cents per share	c 20.8	27.1
Dividends	\$ —	—
Cents per share	c —	—

* No provision for income tax was required for these years due to the tax loss.

FINANCIAL POSITION:

Working capital	\$ 1,019,075	1,188,400
Ratio	1.26:1	1.29:1
Total assets	\$ 6,119,979	6,560,731
Shareholders	3,342	3,300
Shares issued	1,790,191	1,790,191
Shareholders' equity	\$ 1,971,187	2,342,451
Equity per share	\$ 1.10	1.30

OTHER INFORMATION:

Warehouses	9	—
Cash & Carry warehouses	3	—
IGA stores	52	61
MM stores	283	371
Triple S stores	—	—

1966	1967	1968	1969	1970	1971
47,107,790	52,838,914	58,114,973	64,787,074	70,588,634	75,085,642
93,687	97,774	158,684	221,794	251,138	306,138
540,239	728,706	828,080	1,036,083	1,056,904	1,010,309
1.15	1.38	1.42	1.60	1.50	1.35
30.2	40.7	45.7	56.6	57.7	55.1
*	*	120,000	520,000	560,000	520,000
540,239	728,706	708,080	516,083	496,904	490,309
30.2	40.7	39.1	28.2	27.1	26.8
650,704	826,480	866,764	737,877	748,042	796,447
36.3	46.2	47.8	40.3	40.8	43.5
—	—	—	182,546	183,230	183,255
—	—	—	10.0	10.0	10.0
sition of the companies consolidated.					
1,639,381	2,167,367	2,564,837	2,537,363	2,815,160	3,087,734
1.41:1	1.54:1	1.63:1	1.47:1	1.58:1	1.64:1
6,970,884	7,806,908	8,990,386	10,743,006	10,451,940	11,142,713
3,861	3,966	4,163	3,655	3,541	3,577
1,790,691	1,790,691	1,813,191	1,830,454	1,832,554	1,832,554
2,893,481	3,634,817	4,409,067	4,809,163	5,128,381	5,435,435
1.61	2.03	2.43	2.63	2.80	2.97
9	9	9	10	10	9
3	4	4	4	5	6
63	68	74	76	72	75
320	325	315	336	348	351
—	—	—	—	18	19

HORNE & PITFIELD

FOODS LIMITED

DIRECTORS

EDWARD E. BISHOP, Q.C.
BRYAN A. ELLIS
ROBERT L. HUNTER
BERTRAM LOEB
DAVID B. LOEB
KENNETH W. QUINN, C.A.

OFFICERS

BERTRAM LOEB, Chairman of the Board
KENNETH W. QUINN, C.A., President and General Manager
EDWARD E. BISHOP, Q.C., Secretary
THOMAS JACKSON, Assistant Secretary
A. NELSON GAHN, Vice-President and Assistant General Manager
DAVID W. MELLOR, C.A., Vice-President and Treasurer
RONALD J. GARLAND, Vice-President, Administration and Personnel

DIVISION MANAGEMENT

NORMAN R. MAYDONIK, Director, Merchandising
MELVIN G. LINDGREN, Director, IGA Stores
DARRYL H. SMITH, Director, Advertising
ROSS P. JENSEN, Director, Produce Operations
ROBERT S. MCKEE, Director, Meat Operations
G. DENNIS McNAMARA, Director, MM Stores
THOMAS G. VAN DER WEIDE, Supervisor, Corporate Stores, Southern District
WALTER LEPP, Supervisor, Corporate Stores, Northern District
WESLEY L. ARMENEAU, Manager, Edmonton Branch
FREDERICK H. HARVEY, Manager, Calgary Branch
JOHN ANTON, Manager, Peace River Branch
JOHN M. FREEMAN, Manager, Red Deer Branch
JULES R. WIEBE, Manager, Medicine Hat Branch
IRVIN WEBER, Manager, Grande Prairie Branch
WAYNE A. WAGNER, Manager, Dawson Creek Branch
WILLIAM WESKO, Manager, St. Paul Branch
KENNETH J. PENNINGTON, Manager, C. W. Boon & Company Limited

BANKERS Royal Bank of Canada

REGISTRARS AND TRANSFER AGENTS Montreal Trust Company

AUDITORS Price Waterhouse and Co.

LISTED ON Toronto Stock Exchange; Montreal Stock Exchange



HORNE & PITFIELD
FOODS LIMITED

HEAD OFFICE 14550-112 AVENUE, EDMONTON, ALBERTA